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## URUGUAY

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While Uruguay is one of the smallest of the South American republics, it constitutes a very interesting and fruitful field for commercial and financial operations. The people are almost entirely white people, the Indian and Negro strains being almost wholly eliminated. The principal sources of wealth are stock raising and agriculture, and the per capita wealth is increasing very rapidly. The government is in many respects a nearer approach to a pure democracy than any of the South and Central American nations. There are no separate states, and while the country is divided into nineteen geographical departments, the federal power is general and complete with a tendency to control, and in time to monopolize, many activities which in other countries are carried on by private persons or corporations.

Uruguay is for all practical purposes a gold standard country. It coins a limited amount of silver for fractional currency, but coins no gold, using chiefly the gold coins of Great Britain, United States, and Argentina. Its note issue is entirely in the hands of the Bank of the Republic, and must be protected by a gold reserve of, at least, 40 per cent.

At the close of 1914 the public debt of Uruguay was \$143,000,000, largely held in England, France and Belgium. This debt, which represents a per capita of \$107, seems rather large, but it should be borne in mind that it is the accumulation of old debts refunded and being paid by modern Uruguay although created under policies of government which today would not be tolerated. Whatever increase in national debt has been made during the past generation has been more than offset by productive properties and important public improvements. The debt of Uruguay is secured by an assignment of customs duties sufficient to guarantee interest and amortization.

At the outbreak of the European war, great uneasiness was felt with respect to the administration of public revenues since the customs duties must be seriously affected and the contracts for public improvements then under way must be carried out. The government set itself to strengthen its financial position, and offered an internal loan, first, of \$4,000,000, and later of \$6,000,000, to bridge the period of readjustment. This internal loan was readily absorbed in Uruguay, and, together with economies introduced by the government, and new internal taxes created to replace the losses in customs duties, brought about a prompt reaction and has

made Uruguay singularly able to take care of herself during the past two years.

A progressive country like Uruguay will, of course, need to be financed, and ought to be financed in the United States. The internal loan of \$10,000,000 will be converted into a foreign loan at such time as may be deemed wise. Beyond this, the increase in public debt will be solely for the acquisition of productive properties, or the completion of important public improvements. It will be necessary to increase the capital of the Bank of the Republic, of the Mortgage Bank, which has to do with loans upon farm property, and of the Insurance Bank, which ultimately will give the government a monopoly of the insurance business. Port development must proceed, for Uruguay's chief port, Montevideo, will in the years after the war be increasingly a port of entry, through which goods will come for distribution to all bordering countries. While Uruguay is already a country of good roads, these will have to be extended and large expenditures made during the next decade. Since the franchises for electric lighting and power are entirely in the hands of the government, these must be extended, and other public utilities will, under the progressive policy of Uruguay, be acquired. Broad plans are now being made in connection with sanitation and contracts have recently been entered into looking toward full realization of these plans. Finally, the policies of the government seem to point toward ownership of railroads. Already a beginning has been made in the purchase of one short line, to be hereafter extended, and since the government is now guarantor of interest return on all railroad investments, there is a growing inclination to absorb all of the railroad properties and operate them as a government monopoly.

While the general plans of Uruguay may appear somewhat ambitious, and the program for development may occupy many years, it is a program that should be carried out, and if moderately undertaken, can be successfully financed. It is extremely important that interests in the United States keep closely informed regarding developments in Uruguay. The two countries have much in common and are in no wise competitive, in fact, in so far as the packing industry is concerned, our principal packing houses are already thoroughly established and successfully in operation in Uruguay.

Friendship to Uruguay on the part of the United States and its financial interests will involve a willingness to assist not only in financing productive improvements, but also in cautioning against a development which would too rapidly increase the tax rate of the country.